

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SWF-01 AID-05 CEA-01 CIAE-00 COME-00

EB-04 FRB-01 INR-05 NSAE-00 RSC-01 CIEP-01 SP-02

STR-01 TRSE-00 LAB-01 SIL-01 SAM-01 OMB-01 NSC-05

SS-15 XMB-02 OPIC-03 L-02 H-01 PA-01 USIA-06 PRS-01

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R 141603Z NOV 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 8184

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

AMEMBASSY PARIS

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: ECIN, EFIN, EEC, IT

SUBJECT: EC SUMMIT -- REGIONAL FUND

1. NOVEMBER 13 ITALIAN PRESS REPORTS THAT, AT NOVEMBER 11 EC FOREIGN MINISTERS COUNCIL, ITALY AND IRELAND MADE PROPOSED EC SUMMIT CONTINGENT UPON ESTABLISHMENT OF LONG-PROMISED EC REGIONAL FUND.

2. MINISTRY FOREIGN AFFAIRS (MFA) REP CALAMIA (DIRECTOR, EC-GATT AFFAIRS), WHO WAS IN BRUSSELS FOR THE MINISTERIAL, INFORMED EMBOFF NOBEMBER 13 THAT GOI SEES NO POINT IN AN EC SUMMIT IF IT

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DOES NOT DEAL WITH ESTABLISHMENT OF EC REGIONAL FUND, WHICH FOR

ITALY IS A KEY UNRESOLVED COMMUNITY ISSUE, SINCE SUCH A FUND HAS BEEN ACCEPTED IN PRINCIPLE, GOI STRONGLY BELIEVES ITS ESTABLISHMENT SHOULD NOT RPT NOT BE FURTHER POSTPONED. GOI THEREFORE SEEKING ASSURANCES FROM ITS EC PARTNERS THAT EC SUMMIT WOULD APPROVE ACCEPTABLE REGIONAL FUND.

3. IN MORE GENERAL CONTEXT, CALAMIA SAID THERE IS LITTLE PURPOSE TO A SUMMIT WHICH AVOIDS URGENT AND SERIOUS EC PROBLEMS. AMONG SUCH COMMUNITY ISSUES HE LISTED ENERGY POLICY, REGIONAL FUND, INFLATION/BALANCE OF PAYMENTS PROBLEMS, SOCIAL POLICY AND COORDINATION OF ECONOMIC/MONETARY POLICIES (IN THAT ORDER).

4. CALAMIA STATED GOI FOUND OTHER EC MEMBERS "RECEPTIVE" TO ITALIAN POSITION ON REGIONAL FUND. HE INDICATED THAT FRG HAS ADOPTED "CONSTRUCTIVE" ATTITUDE WHICH SHOULD MAKE IT POSSIBLE TO RESOLVE THIS ISSUE TO GOI'S SATISFACTION.

5. COMMENT: WHILE REGIONAL FUND WOULD NOT BE PANACEA FOR ITALY'S ECONOMIC PROBLEMS, IT WOULD HAVE AN IMPORTANT POLITICAL EFFECT AS WELL AS EASING THE BURDEN OF FINANCING DEVELOPMENT OF THE MEZZOGIORNO ON AN OVERSTRAINED BUDGET. ITALIAN LEFT (AND UNIONS IN PARTICULAR) HAS LONG PRESSED FOR VIGOROUS ACTION TO STEM EMIGRATION FROM SOUTH TO NORTH AND TO FOREIGN COUNTRIES. IT IS LIKELY THAT SOME INTERNAL REFORMS WILL HAVE TO ACCOMPANY ESTABLISHMENT EC REGIONAL FUND IF IT IS TO HAVE QUICK AND SIGNIFICANT IMPACT. CONFLICTS BETWEEN LOCAL, REGIONAL AND NATIONAL ADMINISTRATIONS HAVE SLOWED DEVELOPMENT AND APPROVAL OF PROJECTS, AND PARLIAMENT HAS BEEN SLOW IN VOTING MATCHING FUNDS WHEN NECESSARY, LEADING TO LONG DELAYS IN USE EC FUNDS EARMARKED FOR ITALY.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ROME15919
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740329-0401
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741143/aaaabkhn.tel
Line Count: 91
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2002 by izenbei0>; APPROVED <13-Aug-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC SUMMIT -- REGIONAL FUND
TAGS: ECIN, EFIN, IT, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005